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New Trademark and Copyright Protection Issues Impacting IP Attorneys and Brand Holder Clients

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Introduction

In many ways, intellectual property (IP) law is today a world of threats and opportunities for brand owners. This chapter will discuss some of those threats and opportunities.

The introduction of expanded generic top-level domains (gTLDs) is both a threat and, for some, an opportunity, which will be discussed. Further, the new upcoming ability under the Copyright Act for an author to terminate an otherwise irrevocable assignment or license provides an opportunity for authors and a threat to licensees and assignees. Additionally, globalization provides enormous opportunities in worldwide markets. Those opportunities can only be fully realized if brand owners think well ahead of their expansion plans and protect their IP in their new markets.

New Domain Name Enforcement Issues

IP practitioners who work on trademark law cases have been impacted by impending opening of an expanded gTLD system by the Internet Corporation for Assigned Names and Numbers. The expanded gTLDs will open new opportunities for companies to showcase their brands, but they will also open up immense possibilities for trademark infringement in cyberspace. Rather than having a limited number of gTLDs (e.g., .com, .org) and country-code top-level domains (e.g., .us, .co.uk, .de) in which a domain name can be registered, the expanded system will allow individual entities to apply to become registrars of their own gTLDs. This can have two impacts: whether entities will apply to become registrars of other brand owners' trademarks as gTLDs (e.g., ".xerox" by someone other than Xerox Corporation), and how many infringements will occur where an infringer registers an infringing domain name in one of the new gTLDs (e.g., "ibm.computer" registered in a new ".computer" gTLD by someone other than International Business Machines Corporation). Where a proposed gTLD has a purely generic meaning (e.g., .computer, .car), the former issue is not a concern for brand owners. In fact, truly generic gTLDs would be expected to be highly sought after and command a high price in the auctions that will occur in the case of competing gTLD applications. However, where the gTLD has brand significance, or mixed generic/brand significance, brand owners face the possibility of issues. Regarding applications to become registrars of new gTLDs, certain public notice and dispute resolution measures have been introduced into the gTLD process for brand owners to monitor and contest third-party registrations of gTLDs. However, brand owners remain skeptical about the effectiveness of such measures and are concerned about the costs involved. In any event, brand owners are wise to work with their advisors to make the best use of the protective measures available.

Regarding the latter concern mentioned above, namely registrations of potentially infringing domain names within the new gTLDs, the added gTLDs multiply the existing potential for third parties to make such infringing registrations and subsequent use of domain names that contain or are confusingly similar to a brand owner's trademarks. Again, there are protective measures contemplated in the Internet Corporation for Assigned Names and Numbers framework for the gTLDs. One such measure is the introduction of a trademark clearinghouse in which brand owners may "register" their trademarks such that a domain name applicant will be warned of a potentially infringing domain name registration. The second is the availability of the informal Uniform Domain Name Registration Policy to arbitrate disputes between brand owners and domain name applicants in the new gTLDs. Brand owners remain skeptical about the effectiveness of either of those protective measures, in view of the greatly expanded potential for infringing domain names due to the expanded numbers of gTLDs and the limited power of the protective measures against infringements. For example, as brand owners know from trying to protect their brands in the existing top-level domains, the Uniform Domain Name Registration Policy often acts as nothing more than an invitation for brand owners to spend thousands of dollars to write and file a Uniform Domain Name Registration Policy complaint, just to have the domain name registrant default and walk away from ownership of the domain name with no cost or damages exposure whatsoever. The ultimate risk to an infringer is therefore nothing more than the minimal cost of registering the domain name in the first place.

Finally, the age-old and inelegant method of defensive domain name registration (that is, registering domain names the brand owner would not otherwise plan to register for its own use) continues to be available to prevent unauthorized registration of brands in the new gTLDs. However, defensive registration continues to have the same limitation it has in the current Internet world, namely the brand owner having to struggle to decide which domain names to defensively register in view of limited budgetary resources. Nike may very reasonably decide to defensively register "Nike," its main brand, as a domain name in every gTLD. But how about "nikesports"? And, if that domain name is worth defensively protecting, how about that domain name's nearly limitless variations, such as "nikesport" and "nike-sports"? The expansion of gTLDs simply makes the task of defensive registration even more impractical and costly than it already is. It is clear that brand owners are advised to work closely with their trademark enforcement advisors to develop strategies to help monitor and protect their brands in the new regime.

Notwithstanding the skepticism of many brand owners about the risk to their brands of the expanded gTLDs, the expanded gTLDs can also be an opportunity to stake out a trustworthy and visible place for a brand owner and its distributors and licensees to do business. Or, under a generic gTLD, one or more entities can operate a gTLD that becomes a well-established marketplace for particular products. This will come, however, at a cost of hundreds of thousands of dollars to apply for and administer a gTLD.

It is clear that the impact of the expanded gTLDs on my practice is a question of helping my clients negotiate the myriad opportunities and threats posed by the expanded gTLDs.

Internet Advertising

Use of Internet keyword advertising, a massive and growing practice, has led to two key cases in the IP realm. One case, which deals with liability of a seller of Internet keywords, is an appeal in the Fourth Circuit case *Rosetta Stone v. Google*, Case 10-2007, where at issue was Google's sale of the trademark "Rosetta Stone" as an Internet keyword. Google, among other search engines, sells keywords to advertisers.

When such keywords are used by an Internet searcher, the advertiser's ad appears in an advantageous place in the search engine's search results, typically at the top or along the side of the other, "organic," search results. Google sells its keywords under the name AdWords. Selling AdWords that are purely generic (such as "car" or "computer") does not raise an IP issue. However, selling keywords that have pure trademark significance or mixed generic and trademark significance can be problematic to the owners of the trademarks at issue. Issues include potential likelihood of confusion through the sale of the keywords (either direct liability of the search engine selling the keywords or contributory liability of the search engine for the advertiser's use of the keywords), as well as potential unjust enrichment or misappropriation based on the very significant revenue the search engine can garner through the sale of third-party trademarks as keywords. The *Rosetta Stone* case, an appeal from a dismissal of the case at the trial court level, has significant implication for advertising and for the scope of protection of brands on the Internet.

A second key case, this one regarding liability of the keyword advertiser, is *Harry J. Binder, et. al v. Disability Group Inc.,* 772 F. Supp. 2d 1172 (C.D. Cal. 2011), where the issue was the purchase of the "Binder and Binder" trademark as a Google AdWord by defendant Disability Group Inc., a competitor in the legal services field. Here, the defendant purchased the "Binder and Binder" trademark as a Google AdWord to cause Disability Group ads to appear in response to searches directed to Binder and Binder. The "Binder and Binder" mark did not appear in Disability Group's ads, however. The court held that all elements of a cause of action for trademark infringement were satisfied and awarded the plaintiffs lost profits damages, doubled for willfulness, of $292,000.

The *Binder* decision should give pause to advertisers who buy trademark keywords. However, the decision should also be read against the principles of fair use and comparative advertising. While "Disability Group" is not very distinctive and one could argue that the use of the "Binder and Binder" trademark as a keyword to trigger a Disability Group ad is confusing (Binder and Binder is a "disability group," after all), what if the trademark at issue is very distinctive and the ad reached by the keyword search is clearly comparative in nature? For example, what if Pepsi buys the "Coca-Cola" trademark as a keyword to trigger an ad that says "Drink Pepsi Instead of Coca-Cola"? The confusing nature of the ad in such a case is potentially not as clear, making a trademark infringement claim arguably less certain. In any event, a client who is considering advertising through the use of Internet keywords is well advised to seek the advice of counsel regarding reasonable ground rules for such use.

Advising Clients on Copyright Assignment Issues

Copyrights cover works of authorship of all kinds. Under the 1976 Copyright Act, Congress amended the existing copyright statute such that assignment or licensing of a US copyright that occurred on or after January 1, 1978, can be terminated thirty-five years after the grant occurred. 17 U.S.C. § 203. This has a profound impact on assignees or licensees who have built a business around a copyrighted work, and it is a significant opportunity for authors who assigned their rights or owners who licensed their rights. The first terminations to become effective under the thirty-five-year termination provision will occur January 1, 2013. For termination to be effective, the termination must occur, with some exceptions, between the thirty-fifth anniversary of the grant and five years after the thirty-fifth anniversary. 17 U.S.C. § 203(a)(3). A termination notice must be in writing and served not less than two nor more than ten years before the date within the five-year window on which termination would be effective. 17 U.S.C. § 203(a)(4)(A). The notice of termination must meet certain formalities specified by the Register of Copyrights and must be recorded in the US Copyright Office prior to the effective date of termination. 17 U.S.C. § (a)(4).

For assignees and licensees, a potentially significant saving provision is that copyright termination is not effective as to works made for hire. 17 U.S.C. § 203(a). This may have the effect of an assignee seeking to characterize a past relationship with an author as an employer-employee relationship when that was not intended or would not have otherwise been advantageous for the assignee, in order for the work to be a "work made for hire" under 17 U.S.C. § 101. In the copyright termination provision, the assignee or licensee is also benefitted by the two- to ten-year advance notice that must be given prior to termination, which is in effect an exclusive period for the original grantee to negotiate a new grant. No grant of the terminated right, except to the original grantee, is effective if made before the effective date of termination. 17 U.S.C. § 203(a)(4)(A), 203(b)(4).

Authors are advised to be aware of the five-year window during which termination can be effective. Because of the two-year minimum advance notice required to terminate, the window for providing a notice of termination closes two years before the end of the five-year termination window. Given the finality of the five-year termination window under the

Copyright Act, an author is well advised to plan early and provide for termination to be effective early in the five-year window. To the extent of any defects in the notice of termination, such as a failure to record the notice of termination prior to its effective date as required by the statute, such defects may be cured if caught early enough.

Think Internationally, and Early

Business is globalizing at an ever-increasing rate. While clients may think their brands are "theirs" everywhere, that is not necessarily true. Especially given the Internet, an American client's brand can easily be known outside the United States long in advance of any real plans for the client to sell products overseas. Unless the brand is so well known as to provide protection as a well-known mark, a protection that is inconsistent and very often insufficient, the awareness of the client's brand merely gives pirates an opportunity to register the brand before the rightful brand owner does. This is especially true given that few countries share the US requirement that an applicant for trademark registration have a bona fide intent to use the mark. Literally anyone is free to reserve a trademark simply by applying. (And there is, of course, the possibility of "innocent" adoption and registration of the brand owner's brand by a third party.) Therefore, clients should consider protecting their brands outside the United States well in advance of actual plans to use them outside the United States. The alternative is finding late in the game that a client's brand has already been registered, either innocently or intentionally, by a third party. What may seem like a significant amount of money to invest to proactively protect a brand can be dwarfed by the cost of having to buy a brand from a pirate, adopting a country-specific marketing and branding plan that does not use the brand, or defending against an infringement claim based on the client's use of its own brand.

The cost of protecting a mark internationally is coming down in some cases, making proactive protection more affordable. For instance, since the United States' accession to the Madrid Protocol for the Protection of Marks, a US-based brand owner can use the protocol to cover dozens of countries and regions, including many of the most relevant markets for international commerce, for reduced average government filing fees and without the necessity to hire overseas counsel to file and prosecute the application overseas. The cost of proactive registration can easily pay for itself in avoiding the costs involved in a later discovery that the brand is not available. Proactive registration should not only be limited to trademarks. Early domain name registration can assure that country-specific domain names are available as needed for marketing in expanding markets.

Additionally, trademark-watching services can help a client monitor the world outside the United States in advance of the client actually seeking to do business there. For just a few hundred dollars a year per mark, a worldwide trademark-watching service will affordably give early warning when a trademark application identical or similar to a client's mark publishes in essentially any trademark office around the world. This allows a client a second-best alternative if the client was not first to a particular jurisdiction with a trademark application: the ability to contest a third-party application for the client's mark by way of opposition. Such an opposition may succeed on the merits, depending upon the facts of the case. But even where the opposition would be of limited likelihood to ultimately succeed on the merits, it will impede and delay issuance of a registration based on the application, possibly allowing for cost-effective settlement of the matter.

Conclusion

An effective IP practitioner will want to keep his or her clients abreast of the many threats and opportunities that are currently presenting themselves in the IP field. Those include the introduction of expanded gTLDs, the new upcoming ability under the Copyright Act for an author to terminate an otherwise irrevocable assignment or license, and the opportunity to protect (or lose) IP rights in the ever-globalizing world.

Key Takeaways

- Newly expanding gTLDs present expanding possibilities for misuse of your client's trademarks. While protective measures being implemented are imperfect, your clients should be proactive in protecting their brands.
- The new gTLDs also present business opportunities for staking out a brand-specific channel on the Internet or creating a new marketplace.
- Consider how to advise copyright owners who have assigned or licensed their rights, in light of their upcoming ability to revoke

those grants. Also, consider how to advise copyright assignees that are now facing the potential termination of rights around which they may have built their businesses.

- Think internationally about protection of your clients' IP rights, and encourage your clients to take action even before they are considering expanding their businesses overseas. If your client does not protect its IP rights, others will.

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